

# Office of Attorney General Terry Goddard



STATE OF ARIZONA  
DEPARTMENT OF LAW  
1275 W. WASHINGTON STREET  
PHOENIX, ARIZONA 85007-2926  
[WWW.AZAG.GOV](http://WWW.AZAG.GOV)

ANDREA M. ESQUER  
PRESS SECRETARY  
PHONE: (602) 542-8019  
CELL PHONE: (602) 725-2200

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## **Terry Goddard Announces Settlement with Ameriquest Lender to Pay \$325 Million and Reform its Lending Practices**

(Los Angeles, Calif. – Jan. 23, 2006) Attorney General Terry Goddard today announced that Ameriquest Mortgage Company has agreed to pay \$325 million to consumers and states and make sweeping reforms of practices the states alleged amounted to predatory lending.

The \$325 million payment is the second-largest state or federal consumer protection settlement in history. The only one larger was the \$484 million predatory lending agreement reached in 2002 between most states (including Arizona) and Household Finance Corporation.

The settlement affects 725,037 loans made by Ameriquest between Jan. 1, 1999, and Dec. 31, 2005. The company made 14,180 loans in Arizona during the six-year period. Arizona consumers who obtained Ameriquest loans are expected to receive a total of more than \$5 million in compensation. Consumers will be contacted regarding restitution once specific recovery plans are finalized.

“Ameriquest engaged in lending practices that harmed consumers in Arizona and across the nation,” Goddard said. “This settlement reforms those practices and compensates consumers. The agreement sets standards I expect other mortgage lenders to follow.”

Goddard played an active role in settlement negotiations as co-chair of the Consumer Protection Committee of the National Association of Attorneys General.

He announced the settlement at a press conference held in Los Angeles with California Attorney General Bill Lockyer, Iowa Attorney General Tom Miller, Washington Attorney General Rob McKenna, Wisconsin Attorney General Peg Lautenschlager, Louisiana Attorney General Charles Foti, and banking regulators from New York, California and Washington. The company is based in Orange, Calif.

In addition to \$295 million in consumer restitution, Ameriquest will pay \$30 million to the 49 states and the District of Columbia that participated in the settlement agreement to cover costs of the investigation and consumer education and enforcement.

The settlement does not constitute an admission of wrongdoing by Ameriquest. However, the mortgage lender agreed to establish new standards to prevent what the states alleged were unfair and deceptive practices.

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“I believe that Ameriquest employees deceived consumers with high-pressure tactics to sell mortgage refinances,” Goddard said. “The company’s commission structure encouraged these high-pressure tactics to reach high monthly sales quotas.”

Ameriquest became the nation’s largest sub-prime mortgage lender in the past few years as the U.S. housing market soared in value. The company specializes in refinance loans to existing homeowners who are seeking to consolidate credit card and other debt into their new home mortgage and come out with overall monthly savings. Borrowers who don’t have the best credit ratings may turn to sub-prime loans, which often have higher interest rates and other costs.

### **Settlement Agreement Provisions**

The settlement agreement provisions include:

- Ameriquest must provide the same interest rates and discount points for similarly situated consumers.
- Ameriquest cannot pay sales personnel incentives to include prepayment penalties or any other fees or charges in the mortgages.
- The lender must provide full disclosure regarding interest rates, discount points, prepayment penalties and other loan or refinancing terms.
- The company will revamp its appraisal practices by removing branch offices and sales personnel from the appraiser selection process. It will institute an automated system to select appraisers from panels created in each state which will limit the company’s ability to get second opinions on appraisals. Ameriquest employees will be prohibited from influencing appraisals.
- The company will not encourage prospective borrowers to falsify income sources or income levels.
- It will limit prepayment penalty periods on variable rate mortgages.
- It will not engage in refinancing solicitations during the first 24 months of a loan, unless the borrower is considering refinancing.
- It will adopt policies to protect whistle-blowers and facilitate reporting of improper conduct.

Ameriquest has already implemented several of these requirements. The agreement also provides for appointment of an independent monitor to oversee Ameriquest’s compliance with the settlement terms. The monitor will have broad authority to examine Ameriquest’s lending operations. The monitor will submit periodic compliance reports to the Attorneys General over five years, and Ameriquest will pay the monitor’s costs.

### **The States’ investigation**

Today’s announcement culminates almost two years of investigation by the Attorneys General, state banking regulators and local prosecutors, and a year of settlement negotiations.

This investigation began after law enforcement officials and regulators received hundreds of complaints from Ameriquest customers across the country. The ensuing probe uncovered consumer protection problems in areas governed by the settlement. Alleged improper practices include: inadequate disclosure of prepayment penalties, discount points and other loan terms; unsolicited refinancing offers that did not adequately disclose prepayment penalties; improperly influenced and inflated appraisals; and encouraging borrowers to lie about income or employment to obtain loans.

Each signing state will file the settlement, along with consumer protection lawsuits resolved by the settlement, in their respective state courts within 45 days. These courts must approve the settlement before it becomes final.

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